

Message Text

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TO AMEMBASSY ANKARA IMMEDIATE
INFO AMEMBASSY ATHENS
AMEMBASSY PARIS
AMCONSUL ADANA
AMCONSUL ISTANBUL

C O N F I D E N T I A L STATE 199759

USOECD

E.O. 11652: GDS

TAGS: EFIN, IMF, IBRD, TU

SUBJECT: TURKISH ECONOMIC ISSUES

REF: ANKARA 6215

1. AMBASSADOR MAY RAISE ECONOMIC ISSUE
IN INITIAL CALLS ON PRIME MINISTER, FINANCE MINISTER AND
CENTRAL BANK GOVERNOR. FOLLOWING TALKING POINTS PROVIDED
PARA 7 REFTEL AS MODIFIED BELOW:

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A. WE ARE FOLLOWING TURKISH ECONOMIC DEVELOPMENTS
WITH SYMPATHETIC INTEREST. WE ARE CONCERNED ABOUT THE
DIFFICULTIES THE TURKISH ECONOMY IS FACING, BOTH BECAUSE
WE REALIZE THE HARDSHIP THIS CAN IMPOSE ON THE TURKISH
PEOPLE AND BECAUSE WE UNDERSTAND THE ADVERSE CONSEQUENCES
ECONOMIC DEVELOPMENTS CAN HAVE ON POLITICAL AND INTER-
NATIONAL MATTERS.

B. TURKEY IS A LONG-TIME FRIEND AND ALLY WHO WE WOULD WISH TO ASSIST IN ANY REASONABLE WAY WE CAN. WE HAVE TAKEN NO ACTION TO CAUSE DIFFICULTIES FOR THE TURKISH ECONOMY OR PREVENT TURKEY FROM MOVING TO SOLVE ITS OWN ECONOMIC PROBLEMS. INDEED IN RECENT MONTHS THE UNITED STATES GOVERNMENT AND PRIVATE AMERICAN BANK HAVE PROVIDED THE FOLLOWING SUPPORT TO THE TURKISH ECONOMY.

1. THE EXPORT-IMPORT BANK, A US GOVERNMENT AGENCY, HAS SINCE JANUARY MADE PRELIMINARY AND FORMAL COMMITMENTS CURRENTLY OUTSTANDING REGARDING LOANS OR GUARANTEES TO ASSIST IN FINANCING OF AMERICAN EXPORT SALES TO TURKEY AMOUNTING TO NEARLY DOLS 100 MILLION. THIS FIGURE DOES NOT TAKE INTO ACCOUNT OTHER AUTHORIZATIONS OF INSURANCE AND GUARANTEES ON SHORT AND MEDIUM TERM.

2. US COMMERCIAL BANKS HAVE LENT ABOUT DOLS 1.3 BILLION TO TURKEY IN THE LAST TWO YEARS.

3. MAJOR AMERICAN COMMERCIAL BANKS HAVE EXTENDED SPECIAL FINANCING FACILITIES TO THE TURKISH CENTRAL BANK WITHIN RECENT MONTHS ON THE CONDITION THAT THE CENTRAL BANK ELIMINATE ITS OVERDRAFTS WITH THESE BANKS.

4. THE UNITED STATES GOVERNMENT HAS SPONSORED
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LOANS FOR TURKEY THIS YEAR IN THE WORLD BANK AMOUNTING TO DOLS 220 MILLION.

C. AMERICAN AND OTHER FOREIGN PRIVATE BANKS HAVE GENERALLY DECLINED MAKING NEW LOANS TO TURKEY UNTIL PROSPECTS FOR REPAYMENT IMPROVE. THIS ACTION IS TOTALLY NON-POLITICAL AND HAS NOT BEEN COORDINATED IN ANY WAY WITH THE USG. THIS LOAN POLICY IS BASED ON THE CONCERN OF PRUDENT BANKERS ABOUT CURRENT MANAGEMENT OF TURKISH FOREIGN PAYMENTS OBLIGATIONS. AS A RESULT OF A SEVERE SHORTAGE OF FOREIGN EXCHANGE, THE TURKISH CENTRAL BANK FOR THE PAST SIX MONTHS HAS BEEN SIGNIFICANTLY OVERDRAWN WITH SEVERAL LARGE BANKS IN THE US AND ELSEWHERE; UNABLE TO MAINTAIN TIMELY SERVICING OF ITS DEBTS; AND FORCED TO LIMIT FOREIGN EXCHANGE TRANSFERS TO PAYMENT OF ONLY MOST ESSENTIAL IMPORTS. AS A RESULT, FOREIGN CREDITORS HAVE BEEN RELUCTANT TO EXTEND FURTHER FINANCING TO TURKISH GOVERNMENT AGENCIES AND PRIVATE FIRMS UNTIL THE FOREIGN EXCHANGE SITUATION STABILIZES.

D. STATEMENTS BY TURKISH OFFICIALS ALLEGING A US ECONOMIC EMBARGO OF TURKEY COULD SERIOUSLY DAMAGE US-

TURKISH RELATIONS AND ALSO UNDERMINE INTERNATIONAL CONFIDENCE IN TURKISH FINANCIAL MANAGEMENT.

2. WE ARE WORKING ON THE OTHER SUGGESTIONS RAISED REFTEL AND WILL RESPOND BY SEPTELS AS SOON AS POSSIBLE. CHRISTOPHER

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